

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

REPLY BRIEF OF THE UNITED STATES POSTAL SERVICE

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INTRODUCTION

On August 12, 2004, in addition to the brief filed by the Postal Service, briefs were filed in this proceeding by the Complainant, as well as David Popkin and the Office of the Consumer Advocate . To the extent deemed necessary, the Postal Service hereby responds to the arguments presented in the other parties' briefs.

I. The OCA Misconstrues The Commission's Advisory Authority

If the purpose of this proceeding were to determine the extent to which the Postal Service, in implementing the First-Class Mail realignment plan submitted for review in Docket No. N89-1, declined to follow the advice offered in the Postal Rate Commission's non-binding opinion in that docket, there might have been some value to much of the criticism offered in the OCA's Brief. The Postal Service does not consider that any purpose is served in the instant proceeding by debating either the merits of the Commission's non-binding Docket No. N89-1 opinion or the question of whether the Postal Service should have exercised its discretion to act contrary to any of the Commission's advice in that opinion. Section 3661 obliges the Postal Service to formally request the Commission's advice on service changes that are national in scope. The statute grants the Commission a very limited authority, in response to such requests, to offer advice that is not binding upon the Postal Service and, thus, distinguishable in terms of effect from rate recommendations the Commission is authorized to make under § 3624, for example.

While a high degree of harmony between the agencies is to be hoped for, the fact that the Postal Service and the Commission may disagree on the merits of a particular § 3661 proposal for change in service, as was the case in Docket No. N89-1, does not *per se* invalidate subsequent action taken by the Postal Service to implement that plan contrary to the Commission's advice.

A critical question to be resolved in this proceeding is not whether the actions taken by the Postal Service to implement its realignment plan are consistent with the Commission's Docket No. N89-1 advice, but whether those actions are consistent with the plan that the Commission criticized. The second major question is whether there is sufficient evidence to support the conclusion that the First-Class Mail service resulting from those actions does not comply with policies of the Act.

The OCA's Brief makes clear its view that, instead of moving forward with its Docket No. N89-1 realignment plan, the Postal Service should have embraced the core of the Commission's non-binding Docket No. N89-1 advice and conducted cost analysis¹ and market research² that might have supported an approach to realignment favored by the Commission.

If the OCA wishes to make an issue of the fact that the Postal Service implemented its realignment plan without first incorporating the Commission's suggestions, little can be said here other than to confirm that this is what occurred and to remind the OCA that this is what § 3661 permits.

¹ OCA Brief at 14.

² OCA Brief at 16; PRC Op. N89-1 at 35.

II. All Doubts About Docket No. N89-1 Continuity Should Be Erased

In declining to grant the Postal Service's July 30, 2001, motion to dismiss the Complaint that initiated this proceeding, the Commission opined that the gap in time between the Postal Service's earlier work on its Docket No. N89-1 realignment plan and the implementation of the contested changes in 2000-01 raises "the possibility" that these latter changes were not a continuum of the original plan and, thus, fell outside the scope of § 3661.

With all due respect to the Commission, that possibility may have been raised by the Complaint filed in this proceeding, but it was refuted by the candid, detailed and sworn declaration of Mr. Charles Gannon, the postal employee who has been acting under the direction of senior postal management to complete that realignment plan. Moreover, his declaration is further buttressed by the record that has been subsequently developed in this proceeding, including Mr. Gannon's testimony, USPS-T-1. Whatever criticism the Commission may wish to direct at the Postal Service for implementing service standard changes that the Commission's Docket No. N89-1 opinion advised against, there is no basis for concluding that changes contested here are anything but part of that same realignment plan.

Notwithstanding the disapproving nature of the Commission's Docket No. N89-1 opinion about the basis for pursuing that plan, the Postal Service has

demonstrated fealty to its original objectives.³ There is no dispute that the Postal Service worked its way through Phase I of its realignment plan and implemented and adjusted the Phase I (overnight) changes in 1990-91. See Gannon Declaration at ¶4. And, it is undisputed that work to carry out Phase II (2-day/3-day) changes began relatively shortly thereafter, but was not completed. *Id.* at ¶6. That work was interrupted and then resumed in the late 1990's, and the Postal Service began implementing the contested changes in 2000. *Id.* at 7-27. The Postal Service is painfully aware that the timetable that evolved was much longer than that assumed in the early 1990's. And, the Postal Service has explained on this record the reasons for the intervening delay in implementation that occurred. *Id.* at 7-11.

The Commission might criticize postal management for not having sufficient safeguards in place to prevent projects from getting sidetracked or delayed when management restructuring takes place. And, no doubt, there may have been some value in the Postal Service issuing some form of public notice prior to 2000 that it was resuming implementation the realignment plan that had been interrupted. However, in circumstances such as these, where the record shows that resources are reconstituted with the singular goal of pursuing the original plan's objectives, there is no basis for concluding that the Postal Service

³ The Postal Service's course of action should not be interpreted as an affront to the Commission. Section 3661 only gives the Commission a limited opportunity to offer advice in these matters and only requires that the Postal Service seek that advice before taking action.

is obliged to seek review under § 3661 of its intention to resume implementation of a plan already reviewed under § 3661.

The Postal Service cannot dispute the assertion that its decision to not issue a public notice regarding the resumption of its realignment plan may have fueled suspicion in the minds of skeptics that something “new” was being undertaken. And, there is no disputing that changes in the composition of the Board of Governors, including the Postmaster General, as well as changes in management structure and operations technology occurred between the implementation of Phases I and II of the plan. But, there is a glaring absence on the record of any evidence of any material substantive impact or relevance of any of these personnel or technology changes, or of any discontinuity in postal policy related to the realignment plan. Accordingly, there is no basis for concluding – then or now – that there has been a substantive “break” from, or in, the realignment plan.

Given the state of the record in July 2001 and the suspicious tone of the Complaint, it was not beyond the pale of reason for the Commission to have erred on the side of caution and permitted a fuller exploration of the issues raised by the Complaint. However, the Postal Service submits that the record that has been built over the last few years establishes beyond doubt that, if one is able to put aside disagreements regarding:

- (1) the validity of the premises underlying the realignment plan reviewed in Docket No. N89-1;
- (2) the quality of the evidence supporting that plan; and

- (3) the merits of proceeding to implement that plan contrary to the non-binding advice of the Commission;

it is clear that the actions taken by the Postal Service in 2000–01 are nothing more than the exercise of its prerogative to resume completion of the service standards realignment plan that the Commission had earlier reviewed and recommended not be implemented.

The Postal Service does not argue that there are no circumstances under which the Commission can conclude that a substantive “break” has occurred between the originally stated objectives of the Postal Service and actions it takes later. However, the mere passage of time alone cannot be said to result in a such a “break” when, as here, it is unaccompanied by some material change in substantive policy or some change in objectives that is inconsistent with the original plan.

When one reviews the steps taken to implement Phase II of the realignment plan as faithfully as possible to its substantive objectives, there is only one conclusion that should be reached here: the actions taken by the Postal Service reflect a continuum of the realignment program criticized by the Commission in its Docket No. N89-1 opinion. Accordingly, contrary to the assertion at page 4 of the OCA Brief, the record in this case rebuts the claim that the Postal Service’s failure to publicly highlight the resumption of this undertaking constitutes a violation of § 3661. The OCA can fairly criticize the Postal Service for taking as long as it has to get this far. However, there is no basis for any

assertion that the actions under review in the instant docket are anything other than an attempt to finish the realignment plan reviewed in Docket No. N89-1.

III. Air Transportation Has Not Been Eliminated As An Option For Establishing 2-Day Service Standards

At pages 25-30 of its Brief, the OCA comes close to the heart of the matter when it asserts that, in 2000-01, “the Postal Service only undertook the first step of what should have been a two-step process.” The OCA would have been more on point if it also had argued that “the Complaint in this proceeding was filed immediately after the first of two related steps: implementation and adjustment.” In essence, the Complainant has asked the Commission to assess the implementation of Phase II of the Docket No. N89-1 realignment plan while the Postal Service considers internal requests for adjustments to the changes implemented.

As with Phase I, it has been the Postal Service’s objective to take a cut at designing and rolling out the Phase II changes, and then making adjustments to better ensure that the changes conform to the plan’s objectives. Gannon Declaration at 28; USPS-T-1 at 14-15. In what is clearly the most controversial aspect of this approach, the Postal Service has generally applied the presumptive “reasonable reach” element of the definition of the two-day standard⁴ to determine, presumptively, which origin-destination pairs should be

⁴ For a summary of that definition, please refer to PRC Op. N89-1 at 5, Table I-1.

designated for a 2-day vs. a 3-day service standard. Based upon this analysis, the Postal Service implemented most of the 2000-01 changes.

Once this stage was “finalized” in May of 2001, the Postal Service moved to the process of reviewing requests from Area Offices for adjustments. Consistent with the definition of the 2-day service standard, any number of these adjustments, as with the case involving Reno NV, will involve analysis of the reliability and timeliness of available air service between origin-destination pairs that meet the 0.5 percent volume threshold, but are beyond the reasonable reach of surface transportation. The outcome in some cases can be expected to result in adjustments from 3-day to 2-day service, as happened with Reno. The Postal Service cannot, in this Brief, predict what those outcomes will be on a case-by-case basis.⁵ If the Phase II service standard changes being made by the Postal Service are to be judged, they should be judged when completed.

It may be accurate to assert, as the OCA does at page 20 of its Brief, that the Postal Service generally did not consider the availability of air transportation in making the changes in 2000-01. However, that argument misses the point that the purpose of the implementation exercise was to take the first step toward determining which origin-destination pairs – subject to later adjustment – were within reasonable reach via surface transportation. To do this, the Postal Service

⁵ Consistent with the plan reviewed in Docket No. N89-1, the Postal Service will consider adjustments from 3-day to 2-day based upon the “volume threshold/air reliability” test. And, while the parties in the instant docket may have a bias for public input in the process, Complainant’s Brief at 12 concedes that the Postal Service’s Docket No. N89-1 testimony only suggested that customer input might be considered.

employed a computer model to estimate drive times between the numerous origin-destination pairs at issue.⁶ With exceptions noted and explained in the record, the Postal Service generally used the outputs from the model to implement the contested changes in 2-day and 3-day service standards.

As the Commission is aware, the 2-day service standard applies to two sets of origin-destinations pairs: (1) those which are within reasonable reach via surface transportation and (2) those which are beyond “reasonable reach,” but which meet an objective “customer need” volume threshold and which have sufficiently reliable and timely air transportation to justify retention of a 2-day standard.⁷

IV. Complainant Seeks To Impose Criteria Not Required By The Act Or By The Service Standard Definitions

A. Reciprocity Is Not Required

The Commission will recall that during implementation in 2000-01, the Postal Service imposed a moratorium on all other First-Class Mail service

⁶ As explained by witness Gannon, the Postal Service established 12 hours of highway truck driving time as the definition of “reasonable reach” via surface transportation and, using inputs specific to each origin-destination pair, employed a computer model to determine which origin-destination pairs could be said to be within reasonable reach via surface transportation. See response to DBP/USPS-11.

⁷ The critical variable is the availability of sufficiently reliable and timely air transportation. An origin-destination pair beyond “reasonable reach” can meet the objective “customer needs” volume threshold, but still not qualify for a 2-day standard, if available air service is found to be inadequate. Thus, contrary to the implication at page 17 of the OCA Brief, the Postal Service was correct to emphasize, in response to DFC/USPS-GAN-17 and DFC/USPS-12, that volume is not the “controlling” factor.

standard changes. Gannon Declaration at ¶ 29. One result of this moratorium is that all existing overnight service standards were left in place pending roll-out of the first step of Phase II. As highlighted at p.16, n.9, of Complainant's Brief, one consequence of the moratorium has been, at least temporarily, to establish non-reciprocal 1-day/3-day service standards for one particular California/Oregon origin-destination pair. As is clear from the record in Docket No. N89-1, the realignment plan was intended to be implemented in distinct phases: first, all the changes affecting overnight service standards; then, all the changes affecting 2-day and 3-day service standards. An unavoidable consequence of such an approach is that "localized" anomalies may emerge along the way. But, a critical function of the adjustment process is the review of the results for 849,106 origin-destination pairs and the "tweaking" of anomalous results, as necessary. As documented in response to DFC/USPS-T1-24, for the post-moratorium period, the Postal Service has had such a process in place and has been putting it to use. And, when and where adjustments take place, the "chips will fall" on the basis of a faithful application of the criteria put forth by the Postal Service in Docket No. N89-1.⁸

Whatever the ultimate outcome of the adjustment process may be for the peculiar origin-destination pair referenced above, the Act cannot be read to require that the service standards between each origin-destination pair be

⁸ Likewise, to the extent that reliance on the California "pseudo-ADC" concept in 2000-01 led to the implementation of 2-day service standards that otherwise would have been 3-day service standards and *vice versa*, such information will be factored into the adjustment process. See USPS-T-1 at 8; response to DFC/USPS-T1-17.

reciprocal. At ¶¶ 34-35, the Gannon Declaration explains how such factors as volume, the location of intermediary mail processing facilities, and the quality of available transportation between those facilities, can result in mail flowing in logical, efficient, but non-reciprocal and non-direct paths between sender and addressee. A notable result of the 2000-01 implementation is a reduction in the number of non-reciprocal origin-destination pairs from 71,382 to 38,584. See response to DBP/USPS-18(b&c). Still, reciprocity is an intrinsically attractive goal, but not a mandatory one.

At page 17 of his Brief, Complainant argues for the elimination of non-reciprocal service standards “unless a compelling operation need justifies them.” But, other than the one anomalous California/Oregon pair resulting from the temporary moratorium on adjustments to overnight standards described above, Complainant points to no evidence that any existing non-reciprocal pairs lack a compelling basis. His proposal is a solution in search of a problem.

B. Adjacent Or Intra-State Origin-Destination Pair 3-Day Service Standards Are Not Impermissible

At page 17 of his Brief, Complainant also calls for the elimination of three-day service standards for mail between adjacent areas. Perhaps, without realizing it, Complainant is requesting that the 2-day and 3-day service standard definitions submitted for review in Docket No. N89-1, and currently in effect, be amended, since they cannot presently be read to imply such a limitation.

As demonstrated in ¶34 of the Gannon Declaration, there can be very rational and compelling operational reasons for their existence,⁹ but nothing other than Complainant's apparent sense of service standard aesthetics is offered in support of his call for a prohibition of all adjacent 3-day service standards.

Likewise, there is no basis in the Act or in the service standard definitions reviewed in Docket No. N89-1 for imposing a bar against 3-day service standards for intra-state mail. As is evident by PRC Op. N89-1, Table I-1, a 2-day service standard applies to destinations within the home State only if they are "within reasonable reach of surface transportation" or, if outside this range, when the "volume threshold/air reliability" test can be satisfied. The Act cannot be read to prohibit 3-day intra-state service standards. State borders did not control service standard boundaries in the period leading to Docket No. N89-1. The service standard definitions submitted for review in Docket No. N89-1 do not restrict intra-state mail to a 2-day standard. Thus, the existence of intra-state 3-day service standards is not inconsistent with the definitions reviewed by the Commission in Docket No. N89-1.

Taking into consideration such factors as distances involved and the variable quality of available air transportation in some States west of the Mississippi River, application of the service standard definitions, even at the end of the ongoing adjustment process, could result in a greater number of intra-state origin-destination pairs with a 3-day First-Class Mail service standard than was

⁹ Which Complainant regards as a sufficient basis for preserving non-reciprocal service standards. However, in his view, no reason, however compelling, can justify 3-day standards between adjacent origin-destination pairs or within a State.

the case before implementation of Phase II of the realignment plan. That the number of non-reciprocal pairs may ultimately increase or decrease has no bearing on the question of whether they are *per se* prohibited by the Act or by the existing service standard definitions. Neither the Act nor the service standard definitions mandate reciprocity.¹⁰

C. A Concentration Of Upgrades Or Downgrades In A Specific Geographical Area Is Not Prohibited

At page 11 of his Brief, Complainant asserts that the changes implemented in the non-Texan western states were “devastating.” His claim is not based on the nature of mail service resulting from those service standard changes, but simply from the fact that the overwhelmingly majority of changes in that region were in the nature of downgrades, not upgrades.¹¹ It is not clear from Complainant’s Brief which policy of the Act is violated when postal customers feel “devastated,” but the implication of Complainant’s argument is the notion that the Act demands some geographically symmetrical distribution of upgrades and downgrades.

The Docket No. C2001-3 record clearly demonstrates that the Postal Service has applied a rational methodology to the task of implementing Phase II

¹⁰ And, there is no basis for interpreting the Commission’s Docket No. N89-1 opinion as suggesting that 3-day intra-state service standards are *per se* contrary to any policy of the Act.

¹¹ Complainant offers no characterization of customer reaction to the service standard upgrades from 3-day to 2 or to evidence (USPS response to DFC/USPS-T1-1) that the average days-to-deliver for the upgraded origin-destination pairs has dropped from 2.6 to 2.1 days.

of its realignment plan. Such variables as the quality of air service between certain origins and destinations, and inputs incorporated into the model used to estimate “drive times” between specific origins and destinations for purposes of defining “reasonable reach” have been and will continue to be the determining factors. It is inescapable that these variables will have differing impacts on regions of the United States with large numbers of population centers in relatively close proximity to one another, as compared to other regions with relatively fewer populations centers spread much farther apart and subject to different surface and air transportation variables. Congress did not impose upon the Postal Service an obligation to provide precisely equal or symmetrical service to all residents. Discrimination is inherent in the distribution of service to more than 280,000,000 customers of varying circumstances at over 120,000,000 delivery points. Accordingly, the Act, at § 403(c), merely prohibits undue discrimination and the granting of undue preferences among mail users. The impact of service standard downgrades or upgrades may be felt more in one region or state or city than another. But, when – as here – the differences emerge from variables such as those described above and are not based on the arbitrary application of different sets of rules to different regions, states or cities, it cannot be said that the Postal Service, in working with those variables, has violated § 403(c).¹²

¹² The meaning of “devastation” in this context aside, it is noteworthy that in the state of California, where Complainant focused most of his attention, before any potential adjustments are taken into account, the percentage of mail originating in California that still has either an overnight or a 2-day service standard exceeds the percentage of mail nationwide with either an overnight or 2-day standard. See response to DFC/USPS-T1-3.

It is not enough to argue that service does not comply with the policies of the Act simply because a particular origin-destination pair suffered a downgrade or because most of or a cluster of the pairs in a particular region (highlighted for purpose of argument) suffered downgrades. If it were that simple, one might as well read the Act as only permitting service standard upgrades.

Trying to sound an ominous note, Complainant argues about the impact of the Internet and other instantaneous, “real time” electronic communications media on the Postal Service’s role in the 21st century. Although he also asserts (Brief at 17) that “[t]he Postal Service will not improve growth or stem a decline in First-Class Mail volume by slowing delivery service[,]” the record is devoid of any evidence regarding any differential impact on consumer preference for instantaneous electronic communication vs. First-Class Mail based on whether the service standard for a letter between two points is three days vs. two days.

V. The Postal Service Has Not Modified Its Docket No. N89-1 Proposals

At page 5 of its Brief, the OCA argues that “the Gannon Declaration proves that the Postal Service significantly modified the proposals considered in Docket No. N89-1, despite its attempt to maintain the ‘spirit’ of its original proposal.” Quite to the contrary, the Gannon Declaration and testimony (USPS-T-1) demonstrate that the Postal Service has maintained the same realignment objectives, and merely implemented the plan in a manner that took into account changes in the structure of postal management and that took advantage of computer technology that developed in the interim. Admittedly, implementation

did not proceed on the original timetable or employ the same components of postal management that existed when the plan was developed. But, the techniques ultimately employed to develop changes for particular origin-destination pairs have been in keeping with the spirit of the techniques originally assumed and, more importantly, do not constitute a change in any substantive parameter or objective of the plan. Thus, contrary to the assertion at page 5 of the OCA Brief, there are in fact no “new” policies or underlying assumptions that may have required that a new § 3661 request be filed.

Ironically, the OCA tries to have it both ways. At page 24 of its Brief, the OCA expresses “amazement” that the Postal Service “did not develop or use potential costs as a factor in developing service standards.” But assume, hypothetically, that the Postal Service had implemented the service standard changes in 2000-01 on the basis of some material factor not submitted for review in Docket No. N89-1 – for example, the type of cost analysis championed at pages 24 and 26 of the OCA Brief. Had that been the case, the Postal Service would surely now be standing before the Commission under a § 3662 indictment for having violated § 3661, by virtue of having pursued a “new” cost-based realignment plan, without first seeking an advisory opinion from the Commission regarding that cost basis.

It is undisputed that the Commission strongly disagreed with the Postal Service’s plans to realign service standards without first performing the cost analysis described in the Commission’s Docket No. N89-1 opinion. And, the Commission’s opinion expresses a strong preference for the Postal Service to

perform different market research before designing and seeking to implement its sweeping plan for service standard changes. But, as long as the Commission's § 3661 advice remains non-binding, there is no legal basis for a § 3662 complaint premised on the notion that the Postal Service could have or should have followed that advice in implementing the plan reviewed in that docket.

VI. The Parties Mischaracterize The Phase II Adjustment Process

At page 24 of its Brief, the OCA highlights important points made on the record in this proceeding:

there has been no mandate that air transportation not be used as a justification for adjusting any current 3-day standards to 2-day;¹³

for some ZIP Codes pairs downgraded from 2-day to 3-day service, available air transportation may be sufficiently reliable to meet a 2-day standard;¹⁴ and

in some instances, the FedEx contract could be used to reduce 3-day standards to 2-day.¹⁵

However, at pages 24-25, the OCA jumps to erroneous conclusions about the ongoing adjustment process. Contrary to the assertion at the bottom of page 24 of the OCA Brief, the final decision on service standard adjustment requests – including those involving upgrades from 3-day to 2-day – is made at Headquarters, not at the Area Offices. The requests are submitted by Area offices, since – in contrast to Headquarters – they are in the best position to have

¹³ USPS-T-1 at 14-15.

¹⁴ Response to DFC/USPS-GAN-51.

¹⁵ Response to OCA/USPS-T1-9.

detailed information regarding relevant local variables.¹⁶ The OCA compounds its error by speculating, without foundation, that “it is unlikely Area offices will consider dedicated air contracts to upgrade service from 3 days to 2 days as national transportation airline contracts cannot be entered into at the Area office level.” But the fact that all authority to enter into dedicated air service contracts is delegated to specific Headquarters managers does not negate the ability of Area offices to work with those managers to assess the feasibility of dedicated air service in support of adjustment requests.

In a similar vein, the OCA asserts at page 25 of its Brief that:

[t]he Postal Service [has] initiated a policy that virtually eliminates Headquarters from initiating steps to improve services on a local basis by giving local Area limited authority to make significant improvements.

For all times relevant to Docket Nos. C2001-3 and N89-1, the establishment of service standards for each mail class has been a Headquarters function, performed with input from the field. Whether, over time, the Postal Service has divided the nation into and received input from 10 administrative Areas or (before then) five Regions or (before then) 15 Regions, the final authority on service standards has always rested with Headquarters.

How else does the OCA propose that First-Class Mail service standards for the 849,1056 origin-destination pairs be established? Independently, by 10 Area Offices using varying sets of criteria?

¹⁶ The policies and procedures are spelled out in the revised USPS Policy For Requesting A Service Standard Change, filed in response to DFC/USPS-T1-24.

The simple fact is that an Area Office is more likely to have a sense of what is happening in its service area on a local level and can transmit that information to Headquarters for review. The OCA identifies no postal policy limiting the number or scope of any service standard adjustments or other changes that an Area Office may propose for consideration by Headquarters. And, a cursory review of USPS Library Reference C2001-3/17 should establish beyond doubt that a centralized review process is not inhibiting the submission of local requests.

Were the Postal Service, as a part of the ongoing adjustment process, to foreclose all consideration of air transportation in determining whether to upgrade origin-destination pairs from 3-day to 2-day service standards, then there would be merit to the argument at page 13 of Complainant's Brief that the Postal Service was failing in its responsibility to apply all of the relevant criteria in its own 2-day service standard definition. But, as demonstrated above, the OCA's Brief highlights the record evidence that rebuts the assertion that air transportation has been eliminated as an option.

VII. The General State of Commercial Air Service Established A Presumption Rebuttable Through The Adjustment Process

At the very core of the Docket No. C2001-3 controversy appears to be the approach selected by the Postal Service to complete Phase II of its realignment plan. The record shows that the Postal Service's approach to applying the 2-day service standard definition was influenced by a presumption about the quality of commercial air service. The foundation for that presumption was not merely

anecdotal, as suggested at pages 25-26 of the OCA's Brief. It was the consensus judgment of postal Headquarters and Area Office managers responsible for the management of the postal transportation network, based upon their accumulated years of day-to-day experience, as corroborated by U.S. Department of Transportation and postal data,¹⁷ that commercial air service providers were failing to meet the Postal Service's needs to a very large degree.

The decision was made to address this circumstance by generally presuming in the implementation stage of Phase II that air service was insufficiently reliable and timely to justify 2-day standards for destinations beyond the reasonable reach of surface transportation. Based on this working presumption, the Postal Service rolled out service standard changes in 2000-01. As might be expected, these presumptive results reflect some downgrades, a number of which are subject to adjustment on a case-by-case basis, upon a showing that sufficiently reliable and timely air transportation can be arranged to meet a 2-day standard for origin-destination pairs that are beyond "reasonable reach" and that meet the "volume threshold."

Whatever disagreement the parties have with this approach, it is not accurate to assert, as Complainant does at page 13 of his Brief, that conformity to the drive time model used to estimate the reasonable reach of surface transportation has been used by the Postal Service to define the 2-day service standard. "Reasonable reach" has to be defined in some way. The Postal

¹⁷ See USPS Library Reference C2001-3/2. These data refute the contention at page 29 of the OCA Brief that air transportation delays at the time were merely "minor or intermittent." See *a/so*, USPS-LR-C2001-3/8.

Service did that. This “reasonable reach” definition has to be applied. The Postal Service did that. Assessments have to be made to determine whether origin-destination pairs beyond “reasonable reach” can, nevertheless, qualify for a 2-day standard. The Postal Service is in the process of performing those assessments. Contrary to the assertion at page 34 of the OCA Brief, if the Postal Service finds flights “difficult to work with” because of their unreliability and untimeliness, those flights are, by definition, “infeasible,” despite their “availability.” And, if the end result is a greater reliance on surface transportation than was the case before Phase II of the realignment plan was implemented, there is no inconsistency between such a result and the realignment plan. See Docket No. N89-1, USPS-T-2, App. A at 29.

VIII. The OCA’s Proposed 3-Stage Process For Completing Phase II Is Undesirably Disruptive And Unnecessary

At pages 6 and 35 its Brief, the OCA proposes an alternative roadmap to completion of the Phase II changes: reverse all of the 2-day to 3-day downgrades implemented in 2000-01 and then re-start the adjustment process to determine which origin-destination pairs downgraded in 2000-01, but then upgraded again as suggested by the OCA, should then finally be downgraded again to 3-day. But, assuming the OCA is correct in arguing, as it does at page 32 of its Brief, that postal mail processing and transportation operations are scheduled around applicable service standards, then the OCA would have the Postal Service take its mail processing and transportation operations at numerous plants through an

additional disruptive round of scheduling changes. “Turning the clock back” is not as simple as it sounds. Loading mail back on the planes that it used to fly on is not quite as simple a task as the OCA imagines. Are all of the commercial airlines identified in USPS Library Reference C2001-3/2 still in existence? Are their schedules unchanged? Should local facilities temporarily revert back to the uncoordinated and dysfunctional mail processing Clearance Times and Critical Entry Times described at ¶15 of the Gannon Declaration? If the Postal Service and the OCA are in agreement that the job is not yet done and in agreement that the objective is to complete the process of applying the “volume threshold/reliable air” test to origin-destinations pairs beyond “reasonable reach,” it is not constructive to suggest that the imposition of another wave of disruption along the way.

CONCLUSION

For the reasons stated above and in its initial brief, the Postal Service submits that the Complaint filed by Mr. Carlson regarding the implementation of Phase II of the Postal Service’s Docket No. N89-1 First-Class Mail service standards realignment plan has not been justified. Complainant has failed to show that the Postal Service is not providing postal services in conformance with the policies of the Act. Instead, the Postal Service submits that the Commission should issue an order concluding that the complaint has not been justified.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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August 26, 2004

CERTIFICATE OF SERVICE

I hereby certify that, in accordance with section 12 of the Rules of Practice, I have this day served the foregoing document upon all parties of record in this proceeding.

Michael T. Tidwell

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August 26, 2004